

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT AND EXTERNAL AFFAIRS COMMITTEE
May 23, 2006

CALL TO ORDER

The meeting was called to order by Vice Chair George Moser at 10:00 a.m. in Room 233 of NIU Hoffman Estates. Recording Secretary Mimms conducted a roll call of Trustees. Members present were Trustees George Moser and Marc Strauss. Chair Myron Siegel was present via teleconference. Also present were President John Peters, Committee Liaison Kathryn Buettner and Board Parliamentarian Kenneth Davidson.

VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING

Confirmation of Open Meetings Act public notice compliance was given by Parliamentarian Kenneth Davidson.

PUBLIC COMMENT

The Chair asked Board Parliamentarian Kenneth Davidson if any members of the public had registered a written request to address the Board in accordance with state law and Board of Trustees Bylaws. Mr. Davidson noted that no timely requests had been received for public comment at that Board meeting.

MEETING AGENDA APPROVAL

Trustee Strauss made a motion to approve the agenda. It was seconded by Trustee Moser. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Strauss and seconded by Trustee Moser to approve the minutes of the March 23, 2006 meeting. The motion was approved.

CHAIR'S COMMENTS

Vice Chair Moser recognized UAC representatives Bobbie Cesarek and Rachel Turner. Bobbie Cesarek introduced herself as the newly-elected president of the Supportive Professional Staff Council. I am most pleased to have the opportunity to sit on this committee and share thoughts, she said, and I look forward to working with you in the year ahead.

Since our last meeting, Vice Chair Moser said, the session in Springfield adjourned and the Governor signed the budget for the state of Illinois. Ken Zehnder will be reporting on the budget and its impact on Northern Illinois University later this meeting. We will also hear from Kathy Buettner on the federal budget for Fiscal Year 2006. She will also provide an update on the Higher Education Reauthorization Act. Dr. Tom Krepel, Assistant to the President, will present information on the Commission on the Future of Higher Education. Finally, at the February 28 meeting, Trustee Strauss asked staff to prepare a report outlining the official university audit process. NIU Controller Keith Jackson has prepared that report, which you will find in your committee report book. Bob Albanese of Finance and Facilities and Keith Jackson are on hand to answer any questions the committee has on the audit process.

UNIVERSITY REPORT

94TH GENERAL ASSEMBLY REPORT

Agenda Item 7.a.(1) – Substantive Legislation

Ms. Buettner asked Ken Zehnder, Associate Director-External Affairs, to give the report from the Illinois General Assembly. Yesterday, Mr. Zehnder said, the Governor signed the budget, which was the major emphasis during the legislative session. A number of the bills that we are tracking this session are listed in your LAEA book. It contains summaries of those bills that are currently active. Some have already been sent to the Governor, who has acted on a few of them, but most of them he is reviewing. Senate Bill 1520 plus the budget implementation bills are listed. In the final section are those bills we were tracking that did not move out of committee or were not passed by both chambers.

On those bills that saw a lot of activity this session, one of the major issues addressed was the baccalaureate completion issue with the community colleges and the universities. Some of the emphasis on this issue was addressed through nursing incentives to increase the number of nurses in the state. There was a bill for recruitment and training of nursing faculty. Senate Bill 931 gave priority to nursing education scholarships. Rep. Bassie introduced a bill which would have allowed Harper to grant baccalaureate degrees to nursing students. There were two bills to incentivize the cooperation of universities and community colleges to support and assist the nursing effort. Those bills did not pass. Earlier this month, when NIU announced its baccalaureate completion program on Harper's campus, it addressed many of the needs.

Another major issue during the legislative session was what was going to happen with the Illinois Student Assistance Commission and how the program was going to be formulated. Senate Bill 2225 was passed. It created the MAP II program which would allow students with family incomes up to \$200,000 to participate in the Monetary Assistance Program. There were other bills related to ISAC, some to prevent the sale of ISAC, some to guarantee that if a portion of the portfolio were sold the rates charged to students would not increase.

I reported at our last meeting about a bill that was introduced by Rep. Jack Franks which would have impacted our ability to charge out-of-state tuition. The bill would have encouraged universities in the state to participate in the Midwest Student Exchange Program. Rep. Franks pulled and tabled the bill. Instead, he introduced a House Resolution which encourages universities to participate voluntarily in the Midwest Student Exchange Program. Illinois does not currently participate in that program, but there probably will be attempts to get that funded and get the state enrolled.

Another issue was military and other grants. The number of tuition waivers over the past several years has been increasing. The cost to the university is increasing, particularly as National Guard members return from overseas. As our number of students eligible for the waivers increases, the state has not been keeping up with their funding.

Chair Siegel joined the meeting at this point via teleconference.

Mr. Zehnder continued his report. A House resolution was passed that addressed the issue of military tuition waivers indicating that the universities are entitled to costs for mandated grants for the Veterans National Guard and POW's. Our loss, if our numbers are anticipated, could be as great as a million dollars in the upcoming fiscal years.

The pension code was another major issue the universities were facing. Senate Bill 49 sets forth procedures for calculating and reviewing employer contributions on "excess" salary. What this refers to is the increases in the last years of employment. The language on how that is to be addressed was passed in this pension code to our satisfaction. Steve Cunningham was very involved and helpful in this.

Senate Bill 585, which addresses the Open Meetings Act, also passed. It provides for an exemption for a public body, delineating what electronic means and phone calls can be used both in open and closed meetings. The Governor has not taken action on it yet.

Senate Bill 2159 addressed the Procurement Code and extends the requirements for public inspection and copying on all pre-award, post-award and close-out documents related to procurement subject to the provisions of the Freedom of Information Act. The Governor has not acted on this bill.

Also addressed by all the universities and the Board of Higher Education was data collection. There were a number of bills and resolutions in the legislature which tried to address the issue of tracking students as they go from institution to institution or community college to university. Our shift to the PeopleSoft Student System eventually is going to put us in position to address some of those needs. Senate Resolution 701 encourages the expansion of shared enrollment data, and a House Resolution introduced by Rep. McCarthy provides similar language. There were also some issues discussed relating to the protection of Social Security information. All those issues addressing data are going to be a statewide project that will take time and money. And at this point, no new money has been provided to do that.

An Energy Conservation Act, Senate Bill 1827, was passed and will provide the university with an extended time period for guaranteed energy savings contracts. The current payback period to cover this type of investment is ten years and the legislation will extend that to twenty years. Mr. Zehnder indicated that this change will expand the number of campus projects that can be funded through anticipated energy savings. The bill has been sent to the Governor.

Agenda Item 7.a.(2) – Fiscal Year 2007 Higher Education Budget

The Governor signed the bill for the state budget yesterday, Mr. Zehnder said. It totaled \$45.8 billion. Higher education received a \$48 million increase. The universities received a \$26 million increase out of a \$1.33 billion budget. The increase for universities was directed toward the personal services line for retention and recruitment of faculty and staff. There was a \$34.4 million increase to the general MAP program and an identical \$34.4 million directed toward the MAP-plus, which is for higher income family eligibility. Those are both contingent on the successful sale of a portion of the ISAC portfolio. If no action is taken on that issue, those two grants will not be increased or the MAP II will not be offered.

NIU's budget was \$103,927,000, an increase of approximately 1.2 percent. We also retained our \$700,000 funding for the CHANCE program. Within our budget, there was also the transfer of a library program and its funding, now to be administered by the University of Illinois. The average increase for the universities was from 1.2 to 2.0 percent. There were a couple of exceptions that raised the overall average for all universities to 2.0 percent. Those incentives were essentially capital projects that were inserted through the encouragement of the minority caucuses into several university operating budgets, including Chicago State, Governors State and UIC as the primary recipients. As previously mentioned, the increase the presidents supported that went to the universities will be directed toward personnel lines – salaries, retention and recruitment.

FEDERAL REPORT

Agenda Item 7.b.(1) – Higher Education Act Reauthorization Update

Information Item 7.b. summarizes the status of the federal reauthorization of the Higher Education Act, which has been pending before Congress, Ms. Buettner said, for the third year. Several months ago, when we had our last meeting, I was fairly confident that we would see some resolution of this issue prior to the conclusion of this particular Congress at the end of the calendar year. It appears now that while the House has acted, in all likelihood, the Senate will not act prior to the end of the calendar year due to the excessive number of issues now pending in the Senate (immigration reform, budget issues and appropriations issues). So it appears we will have to wait until next year again to finalize the higher education reauthorization program. The higher education associations were fairly successful in lobbying the members of Congress on both sides of the aisle to adopt provisions and amendments that provided a little more consideration to the universities and the colleges – public, private, for-profit, community colleges, etc. National university associations lobbying for public universities in particular were very concerned about the tuition provisions. And, as you Board members know, we have made significant efforts for years to keep our tuition at a manageable level. We can only do that as long as the state contribution is there on the other side. That has been the issue nationally since 2000 or 2001 when the states began experiencing significant budgetary shortfalls. And we have seen it here in Illinois. We have had to increase our tuition at much greater rates than we are comfortable with in addition to cutting

significant dollars and reallocating funds. So, the national associations for the public universities were very strong on this point because we do not feel that we have entire control over our tuition since so much of our base operating budgets come from our state governments. Instead of being subject to provisions in the original House draft calling for Inspector General (Department of Education) oversight of colleges and universities that raise their tuition in excess of the rate of inflation for two years in a row, we were able to get some language that was acceptable to the public universities.

In addition, the main issue that we had at the end of March was the transfer credit language when it went to the House. There was a significant uprising in the admissions offices of all of the universities and colleges across the country about the transfer of credit provisions. While we are trying to make it easier for students to transfer in, there is a significant concern about academic integrity of programming. Some courses do not transfer automatically, some need to be individually approved by faculty committees, etc. The original language stated that universities had to automatically accept any transfer of credit from any university or college in the country regardless of the accreditation. That was changed, and universities are simply required to disclose our transfer credit policies very strongly, clearly and concisely, but not obligated to take credit transfers from any particular individual institution, which is a significant concession. But, this probably will not pass Congress in a final form prior to the end of the year.

Agenda Item 7.b.(2) – 2006 Congressional Budget and Legislative Update

In the last months in Congress, a few significant issues transpired. As a result of the previous 2006 congressional budget that passed earlier this year, the Pell Grant program now has two new programs. The first is the Academic Competitiveness Grant, and the second is the National Science and Math Access to Retain Talent (SMART) Grants. These are two new programs available for Pell Grant recipients that will take effect on July 1. We are working with our Bursar's and Student Financial Aid Offices to make sure that our Pell students are aware of these programs for the coming fiscal and academic years. The Academic Competitiveness Grant (ACG) provides an additional \$750 to freshman Pell Grant recipients who have established a high school program that indicates they are college bound and who are brand new to a college or university. If at the end of their first year of academic credit they have maintained a 3.0 GPA, the ACG also provides \$1,300 to these students in their second year of college. The SMART Grants, \$4,000 to Pell Grants in their third and fourth year, are available to those who are pursuing a major in physical, life or computer sciences, math, technology, engineering or a critical foreign language and have a cumulative grade point average of at least 3.0. So we are going to make sure that any NIU students who receive Pell Grants know about these programs and can apply for them, because affordability is something we are all concerned about as tuition increases over the years.

Also, the House 302(b) allocations were released recently. They sets the framework for the appropriation committees to begin working within each committee's context and purview what the individual amounts are going to be per agency and the discretionary funding available in the federal budget. Most of the budget is fixed, but this year the amount settled on in the 302(b) allocations was \$873 billion in discretionary funding for the new Fiscal Year 2007 budget. That is about \$500 million below the administration request. About \$377 billion was allocated for defense, and they have made some changes in what is considered a defense budget item this year as opposed to last year. The Department of Defense Appropriations Committee was separated out into a Military Quality of Life Committee, so some of the benefit programs for our servicemen and women have actually been moved to a separate appropriations committee and are not considered part of the regular defense budget. Congress adopted the budget resolution in the House on a partisan vote.

The final issue I want draw to your attention is the American Competitiveness Initiative. That was an administration initiative that President Bush proposed earlier this year in his vision for the FY07 budget process. The important thing about this initiative is that it will translate into significant budget enhancement dollars in operations for FermiLab. FermiLab consists of about 20 percent of the actual high energy physics budget for the country. About 20 percent comes directly to FermiLab, so any base budget increase translates into significant dollars for FermiLab. In addition to this, \$60 million is expected to come to FermiLab as a result of current negotiations to begin the planning and process of obtaining the multibillion dollar international linear collider project, which will probably be started in 2010 or 2011. It is a project that the university's physics program is heavily involved in. University administration is working very closely with Argonne and FermiLab directorates as well as the state to position FermiLab not only

within the nation but also internationally to be able to obtain this project. It will probably go to one of three major countries – Germany, Japan or the United States. It is a \$6 billion to \$8 billion project that will determine the most finite amounts of matter that cannot be found at this point, given the technology that now exists. The United States has settled on the fact that FermiLab would be the site that the United States will offer, so we stand a very significant chance of attracting this project. The question remains whether the United States and the other two countries that are in a position to compete for this are willing to put up the approximately \$3 to \$4 billion necessary to obtain this project and get it moving. It would mean not only thousands of jobs now in construction but also permanent jobs in the sciences and support jobs at FermiLab and in this region. The university is very involved in this and committed to do what we can to further enhance this initiative.

Agenda Item 7.b.(3) – The Commission on the Future of Higher Education

Dr. Tom Krepel, Assistant to the President, provided an overview of the federal Commission on the Future of Higher Education, which has been in operation since last fall. It was established by the U.S. Secretary of Education, Margaret Spellings, and is most often referred to as the Spellings Commission. Commission members tend to fall into three categories. Six members are from business, representing organizations such as Boeing, IBM and Microsoft. Eight individuals represent various segments of postsecondary education, and there is one individual from a community college. Three of those representatives from postsecondary education come from private institutions, both sectarian as well as proprietary. And five members of the commission fall into the category of nongovernmental organizations, such as the American Enterprise Institute or the American Council on Education. Charles Miller, former chair of the Board of Regents for the University of Texas, chairs the commission. Mr. Miller has consistently stated that he has a commitment to defining accountability systems and standards for postsecondary education.

Dr. Krepel gave examples of various documents that have come out since this commission was established, including press releases from the U.S. Department of Education, speeches that Secretary Spellings has made as the commission has been convened, and the charter written for this particular commission. Secretary Spellings instructed the commission to “consider federal, state, local, and institutional roles in higher education and analyze whether the current goals ... are appropriate and achievable.”

Around 80 percent of the fastest growing jobs require at least some postsecondary education. That means a college education is more important than ever, and now is the time to have a national conversation on our goals for higher education. Secretary Spellings acknowledged that the U.S. postsecondary education system is the best in the world currently, but the rest of the world is catching up. She noted that the federal government provides about one-third of postsecondary education funding in this country and, at the same time, provides about one-tenth of the funding for elementary and secondary education. Some of the other issues identified in the secretary’s comments to the commission included: alignment of secondary and higher education; accessibility and affordability; research and intellectual discourse, the ability of students to compete in a global economy; highly skilled workers; and then the role of various interests such as business and public and private organizations.

The commission began in October 2005 and concluded their meetings last Friday in Washington, D.C. During these public session meetings of the Commission on the Future of Higher Education, some of the kinds of things suggested to the commission were that there be more on-line course and program availability; more small and midsize business involvement in higher education, particularly through programs such as tuition assistance for employees; better and more extensive use of technology in postsecondary education; and more grant-based aid to address debt load for students. There were discussions about the displacement of higher education in the public policy arena by other competing policy needs such as crime, taxes and health. And there was discussion about the substantial and continued reduction in both state and federal support for postsecondary education.

A total of 23 reports have been commissioned by this group. The topics of these groups seemed to include accountability, costs and affordability, financial aid and the federal regulatory framework for postsecondary education. Most of this information can be found in an electronic newsletter online at “insidehighered.com.”

A regional conference was held in Illinois from March 23-26 on the topic of the Spellings Commission. The cosponsors were Western Illinois University, U.S. Department of Education, Pell Institute for the Study of Opportunity in Higher Education and the Illinois Board of Higher Education. It included participating institutions from at least three states – Illinois, Iowa and Missouri. The statement that came out of conference is the Midwest Regional Response, which is in its second draft. There are 29 recommendations organized around five themes: increasing access for low-income students, increasing need-based aid, strengthening the commitment to teaching and learning, providing quality academic programming, and improving participation, achievement and public accountability.

In conclusion, Dr. Krepel said, it seems that at this point and time there really is no consistency or direction in terms of areas of emphasis or themes coming out of the commission. In looking at the transcripts and reading the reports of what is going on inside the commission, I am left with the sense that there does not seem to be a notion of talking about some broad philosophical and conceptual frameworks within which the commission tries to define the future of higher education. But, rather, there seemed to be a lot of agendas of specific constituencies in this process. So there are many issues that we will want to monitor as this commission gets closer to finishing its work and producing its report on August 1.

Before I speak on the Compliance Audit Process, Bob Albanese, Associate Vice President of Finance and Facilities Operations said, I would to thank Ken Zehnder for his work in Springfield on the Energy Conservation Act. That is going to be of great benefiton campus and could open up \$10 to \$15 million worth of deferred maintenance projects that we can use under that program.

Agenda Item 7.c. – Compliance Audit Process

In accordance with a request from Trustee Strauss at the last LAEA Committee meeting, university staff were asked to prepare a report outlining the official university audit process. Dr. Krepel had mentioned public accountability, Mr. Albanese said, and a big component of public accountability is what we do every year with our compliance audit. As we discussed in our February meeting, in Fiscal Year 2005, we had eight material findings. Subsequent to the issuance of the audit report, the Controller's Office, under Keith Jackson's direction, has followed up on each of those findings, and we have a plan in place to address each of them. Trustee Strauss indicated that he had no immediate questions, but would like to take time after the meeting to sit down and review the process in greater detail.

NEXT MEETING DATE

Vice Chair Moser announced that the next meetings of the Board were scheduled for September on the main campus in DeKalb.

ADJOURNMENT

There being no Other Matters, the Chair asked for a motion to adjourn. Trustee Strauss so moved, seconded by Trustee Moser. The motion was approved. The meeting was adjourned at 11:01 a.m.

Respectfully submitted,

Sharon M. Mimms
Recording Secretary